

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Legislative Committee Minutes
Tuesday, December 30, 2008
1:30 pm

Committee Members: Ray Peck, Chair
John Paull (via telephone)
Terry Smith (via telephone)

Staff: Roxanne Minnehan (via telephone), Melanie Symons, Scott Miller, and Kathy Samson, MPERA staff.

Other Attendees: No public present.

Approval of Legislative Committee Meeting Minutes

The minutes of the open meeting of December 16, 2008 were presented.

Motion: Mr. Terry Smith moved to approve the minutes of the December 16, 2008 PERB Legislative Committee Meeting.

Second: Mr. John Paull

No public comment.

Vote: 3/0

Public Comment – Mr. Smith viewed the December 17, 2008 Legislative Audit Committee meeting. Some questions were raised about the retirement systems, including TRS. Mr. Carroll South stated at an earlier meeting that the retirement systems did not need any additional funding. At this meeting he stated staff needed to bring forward any information about our status for they are concerned about current assets. Mr. Smith requested MPERA start getting information now so to ask for additional funding this legislative session. Ms. Symons agreed but felt that we should bring the information to the legislation just as a possible future request. There was some discussion about 1) the information our actuary, Mark Johnson provided at the Board Retreat taking into account the market value of investments as of October 31, 2008, 2) TRS asking their actuary to project out 20 years based on a range of returns from 0 to -35%. Mr. Miller expressed

that it would not be beneficial to do an actuarial report just because TRS is doing it, also the number will not be the same for TRS is using June 2009 as a base and MPERA would use June 2008 through October 2008.

Executive Director's Report

Board Legislation – Status/Sponsors

All the Board's Legislation has been pre-introduced.

HB12 Working Retiree Bill

Representative Franke Wilmer has agreed to sponsor the bill. It has been pre-introduced. MPERA has contacted Mark Johnson, Milliman Consultants and Actuaries, to prepare an actuarial impact statement. MPERA is expecting this bill will be controversial. Staff is seeking the employer contributions to be paid for working retirees. The fiscal note has been completed and submitted to the Budget Office. The fiscal note shows a reduction of the amortization period by 0.2 years.

HB109 General Revisions Bill

Representative Chuck Hunter has agreed to sponsor this bill. This bill has no fiscal impact; therefore, no actuarial study is needed. MPERA has several corrections to the changes made from the original version.

HB170 Qualification Bill

Representative Mike Menahan, an attorney, has agreed to sponsor this bill. This bill has no fiscal impact; therefore, no actuarial study is needed. This bill is technical in nature. It includes changes necessary for the plans to meet IRS qualifications.

Review of Introduced Bills

Stakeholder bill drafts are appearing daily. As they appear, staff is reviewing to determine whether an actuarial impact statement and/or amendments for administration and consistency with other systems are necessary.

HB124

This legislation allows FURS members who did not elect participation in the Guaranteed Annual Benefit Adjustment (GABA) to reverse the decision. The actuary has been contacted for an impact statement. It was discussed whether this would cause qualification issues for FURS. Mr. Miller stressed that ICE Miller has expressed that the IRS will not look favorably upon this bill. Staff received the fiscal note on this bill, it does not increase the amortization period, but the unfunded actuarial liability is increased by \$273,000 and the funding rate increases by 0.02%. The firefighters have indicated

they will amend the bill to reflect the firefighters paying contributions plus interest back to the date of the last election so the system won't absorb the cost. At this time the bill isn't written that way.

Motion: Mr. John Paull moved to oppose HB124 due to qualification issues for FURS.

Second: Mr. Terry Smith

No public comment.

Vote: 3/0

HB31

This is the bill to include dispatchers in SRS. Rep. Franke Wilmer has agreed to sponsor this bill. This legislation allows current PERS 911 dispatchers three months to elect to join SRS. After July 1, 2009, no 911 dispatchers will be allowed to join PERS. The actuary is currently studying this bill. The actuary has to do an impact statement for SRS and PERS. There are 459 911 dispatchers. This bill will affect both systems.

HB32

Rep. Franke Wilmer is sponsoring this bill for the firefighters. This bill increases the benefit factor in FURS from 2.5% to 3%. The legislation also proposes increasing member and State contributions by 1% to fund the enhancement. Actuarial impact: Normal cost increases by 4.7% the amortization period increases to 5.5 years, and UAAL increases by \$19,774,000.

At the last Legislative Committee meeting it was discussed not being able to support without covering the normal cost rate. Chairman, Ray Peck stated the Committee wouldn't take action at this time; but would take the matter before the full Board.

HB33

This legislation includes overtime in the definition of annual compensation in FURS. Actuarial Impact: Increases UAAL by \$7,456,000, increases amortization period by 0.2 years, increases normal cost by 0.01%. The Committee made a motion last meeting to support this bill.

HB142

This legislation is proposed by the Governor's Office. It removes the trigger which terminates the increase in employer contributions in PERS and SRS when the systems' unfunded actuarial liability can be amortized over less than 25 years without the increased contributions.

Motion: Mr. Terry Smith moved to support HB142 as a committee.

Second: Mr. Ray Peck

No public comment.

Vote: 3/0

Review List of Un-introduced Bills

An updated listing of introduced and un-introduced retirement bill requests was provided.

LC0110

This legislation was to expand eligibility for FURS, has died in the process.

LC0449

This legislation was to transfer police and fire pension payment function to the Department of Administration, has died in the process.

LC0743, LC0744 and LC0745

These are bills from Senator Jim Keane. One of these is to change the consideration/reconsideration process. The Committee and staff would like to approach Senator Keane to change this in MPERA's rules. Sen. Keane wants to have this as legislation so it can not be changed back easily. Ms. Symons expressed concern that legislation may take us outside of MAPA. Mr. Peck stated he will speak to Sen. Keane and explain that MPERA would like to change this process as well and will work to get this changed through Administrative Rule.

LC0905

This legislation is to revise retirement laws, sponsored by Representative Jesse Laslovich. This draft is currently on hold.

LC1018

This legislation is to extend the City of Dillon's time to pay liabilities after joining police retirement system, sponsored by Jeffery Welborn. This draft is currently on hold. Mr. Miller stated that he has done further research on Dillon's proposals and splitting the administration of the actives and retirees may be against the exclusive benefit rule. He is checking with our tax consultants.

LC1055

This legislation is to eliminate member contribution requirements for DROP participants of MPORS, sponsored by Representative Galen Hollenbaugh. MPERA has not received any information from the police association's actuary.

LC1137

This legislation is to eliminate defined benefit pensions, sponsored by Representative Jim Peterson. This draft is currently on hold.

LC1763

This legislation is to revise public employee retirement, sponsored by Representative Gary MacLaren. This draft is currently on hold.

LC1877

This legislation is to adjust early retirement date for new hires, sponsored by Representative Joe Balyeat. Mr. Smith will contact Senator Balyeat to find out the purpose.

Actuary Study Concerning Funding for Legislation

Ms. Minnehan has no new information from Mark Johnson, Milliman Consultants and Actuaries.

Mr. Smith asked Ms. Minnehan to update them on the Teachers Retirement System (TRS) actuary study plans. Mr. Smith would like to follow this logic from TRS. If we are unable to get additional funding then at least inform the legislation that the retirement systems are in economic trouble. Ms. Symons and Ms. Samson agreed with Mr. Smith, MPERA should put together information to present to the legislation just so they can be aware of possible future funding. Mr. Miller feels that this is not necessary.

Other Potential Legislation

Board Legislative Committee Meeting Schedule

Weekly meetings are scheduled each Tuesday at 1:30 pm through the legislative session at 100 N Park Ave, Helena, MT 59620. Mr. Paull informed the committee and staff that he will be in Stanford, California attending the Fiduciary College, January 6, 2009.

Meeting adjourned 3:30 pm by Mr. Ray Peck, Chairman.